

Hawker Britton

Public Affairs Solutions

| government relations | strategic communications | campaigns |

Federal Budget 2013-14 Overview

May 2013

On 14 May 2013, the Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP, handed down the 2013-14 Federal Budget. Growing the economy, creating jobs and securing long term productivity, while setting a pathway back to surplus has been outlined as the main priority of this budget.

In the 2013-14 Budget, the Government has announced \$43.0 billion of responsible and targeted savings over the forward estimates that improve the budget bottom line. Moreover, these savings improve the sustainability of Australia's public finances and deliver long term funding certainty for the two nation-building reforms; the National Plan for School Improvement and DisabilityCare Australia.

Contents

Economic context.....	2
Treasurer's Budget Speech	3
Tax and levies.....	3
Health	4
Education	4
Infrastructure	5
Superannuation.....	6
Defence.....	7
Social Policy.....	7
Foreign Aid.....	7

Economic context

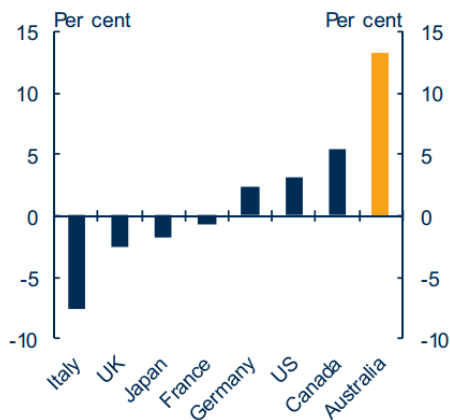
The 2013-14 Budget reflects the Government’s determination to deliver funding for its two big ticket reforms; DisabilityCare Australia (formerly known as the National Disability Insurance Scheme) and the National Plan for School Improvement, as well as returning the budget to balance in 2015-16 and surplus in 2016-17.

Significant volatility in the commodities market partly caused by a slump in China’s growth, as well as record high terms of trade and the strong Australian dollar have impacted considerably on government revenue.

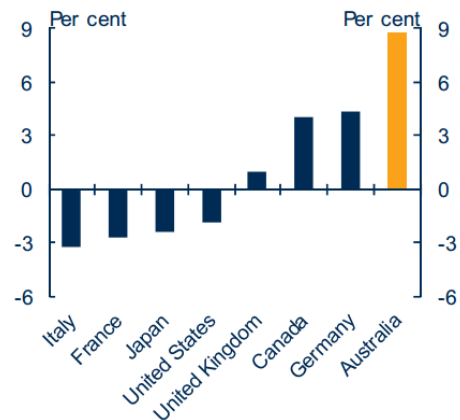
Slow inflation growth at 2.5% has contributed to more than \$17 billion in federal government revenue write downs this year. Slower than expected growth in inflation means that company profits grew more slowly which caused tax collections to fall.

The fundamentals of the Australian economy remain strong with economic growth at 3%, forecast to remain in between the 2.75-3% band, and with a public debt ratio at less than 30% of GDP, Australia’s AAA sovereign debt rating is not at risk.

	2012-13 Forecast	2013-14 Forecast	2014-15 forecast	2015-16 Projection	2016-17 Projection
Real GDP Growth	3%	2.75%	3%	3%	3%
Employment	1.25%	1.25%	1.5%	1.5%	1.5%
Unemployment rate	5.5%	5.75%	5.75%	5%	5%
CPI	2.50%	2.25%	2.25%	2.5%	2.5%
Nominal GDP	3.25%	5.0%	5.0%	5.25%	5.25%



Cumulative GDP growth since December 2007



Cumulative employment growth since December 2007

The Reserve Bank cut the official cash rate by 25 basis points at its most recent meeting from 3% to 2.75%, which is the lowest level since 1960.

Treasurer's Budget Speech

The Treasurer's Budget speech emphasised the continuing strength of the Australian economy, as well as the need for investment into the future. Mr Swan highlighted that the Australian economy is currently 13% bigger than before the GFC and for the first time has a AAA credit rating from all three global agencies, with a stable outlook.

The Treasurer highlighted the greater need for a "stronger, smarter and fairer Australia" through investment in services and infrastructure. Investments of \$9.8 billion for new school funding, \$14.3 billion DisabilityCare Australia, and \$24 billion for road and rail projects were features of a Budget centered on planning, not just for the four-year forward estimates, but for the next decade.

Tax and levies

Taxation

The Government will accept a series of recommendations from Treasury designed to ensure Australia's corporate tax system remains competitive and sustainable by closing unfair business tax loopholes.

The changes announced in the budget total more than \$4 billion over the forward estimates period and include:

- Addressing aggressive tax structures that seek to shift profits by artificially loading debt into Australia.
- Improving the integrity of our foreign resident capital gains tax regime and addressing the low levels of voluntary compliance with the regime.
- Closing loopholes in the Offshore Banking Unit regime to prevent banks shifting profits from domestic banking activities to the Offshore Banking Unit (while continuing to allow genuine offshore banking activities).
- Better targeting resource sector concessions to support genuine exploration, by excluding purchases of mining rights and information.
- Closing loopholes in the consolidation of business entities regime following recommendations from the Board of Taxation.
- Improving the efficiency and integrity of the tax system by preventing sophisticated investors from engaging in dividend washing.

In addition, the Government will provide \$109.1 million over four years to the ATO for additional resources for compliance activity focused on business restructuring practices.

Medicare Levy

From 1 July 2014, the Medicare Levy will rise 0.5% to 2.0% to provide an enduring funding stream for DisabilityCare Australia.

Health

The 2013-14 Budget provides \$79.2 billion to be invested in health and aged care services.

The Government announced a range of new initiatives including *World Leading Cancer Care*, a new \$226.4 million package that will reinforce Australia's position as a world leader in cancer research, prevention and treatment.

The package includes:

- \$18.5 million to fund research into prostate cancer at three centres: Epworth Hospital in Melbourne (\$6.2 million), the Princess Alexandra Hospital in Brisbane (\$6.2 million) and the Kinghorn Cancer Centre in Sydney (\$5.5 million).
- \$56 million of new funding to extend screening for breast cancer to women aged 70 to 74.
- \$5.9 million over four years to improve the treatment and outcomes for people affected by lung cancer.
- \$92.2 million over four years to expand the target age range for the *Breast Screen Australia* Program and to continue funding the processing of pap smears for early detection of cervical cancer.
- Bowel cancer screening will be funded with an additional \$16.1 million over four years, building on previous investments in this area.

The 2013-14 Budget delivers \$42.1 million over four years in funding for bone marrow transplants and for the *Youth Cancer Network* program run by CanTeen, providing access to life-saving medical procedures and necessary support services for people living with cancer.

Education

National Plan for School Improvement

The Gillard Government has committed \$9.8 billion in school funding over 6 years, on the condition that reforms outlined in the 'National Plan for School Improvement' are agreed to by each State and Territory government by June 30.

Hawker Britton's Occasional on the *National Plan for School Improvement* is available [here](#).

University Funding

The Federal Government will allocate \$1.9 billion to fund an estimated 76,000 additional university places by 2017. This represents an extension of the Government's previously established demand-driven model which currently funds over 751,000 students, 190,000 more since 2007.

Childcare Funding

The 2013-14 Budget will deliver more than \$25 billion over the next 4 years in funding to the child care sector. This funding will be allocated primarily through the Child Care Rebate and Child Care Benefit, accounting for \$22.1 billion over the forward estimates, with further funds allotted to other programs including the Jobs, Education and Training Child Care Fee Assistance (\$468 million over 4 years), the Early Years Quality Fund (\$300 million over 2 years) and \$660.1 million on a newly created National Partnership Agreement on Early Childhood Education.

Skills and Research

The Federal Government has announced a series of budget measures aimed at developing skills and promoting jobs including:

- \$321.2 million to support Australian researchers and research facilities.
- \$68 million towards the trial of new training pathways into high-demand trade and technical occupations.
- \$45 million for the new Skills Connect Fund, which provides for skills and workforce development support.
- \$127.7 million for the continuation of 3 programs (Youth Connections, School Business Community Partnership Brokers and *myfuture* career website) aimed at supporting young Australians into jobs and study.
- The continuation of Australia's migration program (at 190,000 migrants) to address skills shortages.

Infrastructure

The Government is continuing its program of nation building infrastructure investment critical to meeting the challenges associated with population growth and the expansion of major cities.

The 2013-2014 Budget commits \$24 billion to the next wave of vital infrastructure, bringing the Government's total investment to around \$60 billion in the 2008-09 to 2018-19 period.

The expense measures for infrastructure and transport can be found [here](#).

Major Infrastructure Funding in Cities and Urban Areas

- \$715 million for Brisbane Cross River Rail.
- \$3 billion for the Melbourne Metro.

- \$1.8 billion for Sydney Motorways (M4 extension and M5 duplication)
- \$400 million for the F3-M2 'missing link' in Sydney.
- \$718 million towards the Gateway North Upgrade in Brisbane.
- \$525.1 million to widen the M80 Ring Road in Melbourne.
- \$448 million for the South Road Upgrade in Adelaide.

Major Infrastructure Funding in Regional Australia

- \$500 million over ten years through the Nation Building Program towards a package of works to upgrade the Midland Highway in Tasmania.
- \$4.1 billion on the Bruce Highway over the ten years from 2012-13. This brings the Government's total commitment to the Bruce Highway to \$5.7 billion since 2008.
- Upgrades to the Warrego Highway in Queensland and the Perth to Darwin National Highway (Swan Valley Bypass) in Western Australia.

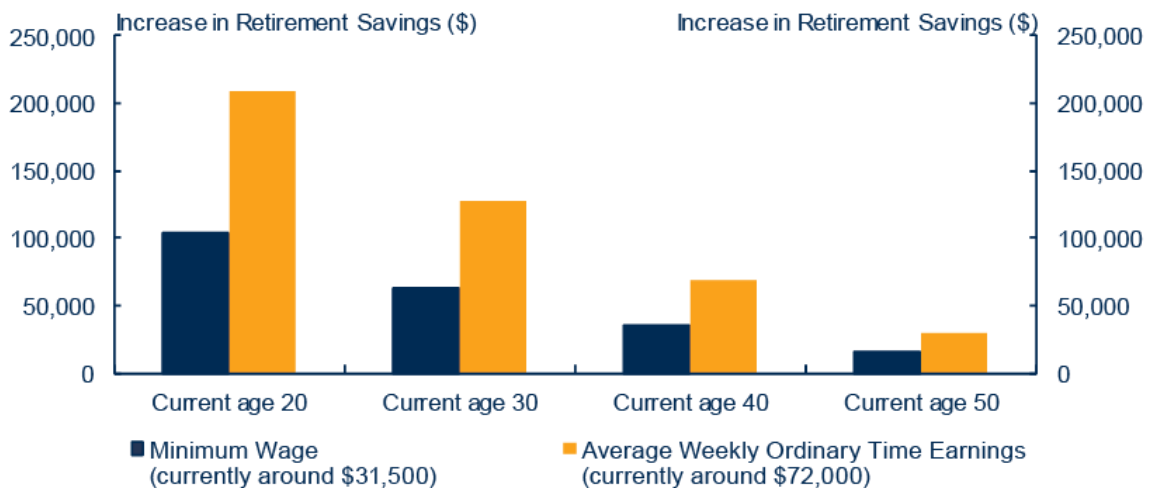
NBN

- \$12.9 million to connect more local councils to the NBN and provide training for small business and not-for-profits in 20 regional NBN rollout sites.

Detailed information on the NBN can be found in Hawker Britton's NBN Occasional Paper [here](#).

Superannuation

From 1 July 2013, the Superannuation Guarantee (SG) rate will begin to incrementally increase from 9 to 12%, boosting the retirement savings of 8.4 million Australians, and increasing the pool of superannuation savings by more than \$500 billion by 2037. The SG rate will increase from 9 to 9.25% from 1 July 2013, and will continue to increase each year until it reaches 12% from 1 July 2019.



Excess contributions tax

The Government will seek to make excess contributions tax fairer by taxing excess concessional contributions at a person's marginal tax rate (plus an interest charge) rather than at the top marginal

tax rate. It will also give individuals the option to withdraw excess concessional contributions from their super fund.

Retirement phase earnings

The Government will target tax exemptions for earnings on super assets supporting income streams from 1 July 2014, by limiting it to the first \$100,000 of annual earnings for each individual and taxing earnings above this threshold at the concessional rate of 15%.

Defence

The 2013-14 Budget provides for an increase in defence spending over the forward estimates. A total of \$113 billion will be spent on defence over the next four years, compared to the \$103 billion announced in last year's budget.

The budget allows for an increase of \$3 billion over nine years to acquire 12 new-build EA-18G Growler electronic warfare aircraft, along with further defence enhancements as outlined in the recent Defence White Paper.

The government has committed to increasing defence funding towards a target of two per cent of gross domestic product (GDP), when fiscal circumstances allow.

Hawker Britton's Occasional on the *2013 Defence White Paper* is available [here](#).

Social Policy

The Government will provide \$19.3 billion over seven years from 2012-13 to roll out DisabilityCare Australia (formerly referred to as the National Disability Insurance Scheme), including \$14.3 billion in new funding.

Launch locations will be established from July 2013 in the Hunter region in New South Wales, the Barwon region in Victoria, in South Australia for young children and in Tasmania for young adults. Additional launch locations for July 2014 will include the Barkly region of the Northern Territory and the Australian Capital Territory. The full roll out of DisabilityCare Australia will occur in 2018-19.

Hawker Britton's Occasional on the *National Disability Insurance Scheme* is available [here](#).

Foreign Aid

The Gillard Government has increased Australia's Official Development Assistance by \$500 million from \$5.2 billion to a record \$5.7 billion in the 2013-14 Budget. This is an increase of approximately 9.6 per cent on 2012-13 and brings the aid budget to 0.37 per cent of gross national income.



Australia remains committed to increasing its aid budget to 0.5 per cent of GNI. However given substantial write-downs to Budget revenues the Government will defer this target by one year, to 2017-18, with funds diverted from aid to help cover asylum-seeker costs. This will save an additional \$3 billion over the forward estimates.